



Consolidated Financial Results for the Nine Months of the Fiscal Year Ending March 31, 2016

<Japanese GAAP>

January 29, 2016

Company name: Makino Milling Machine Co., Ltd.
 Stock exchange listings: First section of Tokyo Stock Exchange
 Securities code: 6135 URL: <http://www.makino.co.jp/>
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(Figures are rounded off to the nearest million yen)

1. Consolidated Financial Results for the Nine Months of the Fiscal Year Ending March 31, 2016

(From April 1, 2015 to December 31, 2015)

(1) Consolidated Results of Operations (cumulative) (% indicate changes from the same period of the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%
Nine months ended December 31, 2015	113,419	14.1	8,961	59.2	10,268	46.5	8,216	45.0
December 31, 2014	99,364	24.9	5,629	-	7,010	-	5,668	-

Note: Comprehensive income: Nine months ended December 31, 2015: ¥4,890 million [(60.7) %]

Nine months ended December 31, 2014: ¥12,440 million [92.2 %]

	Net income per share	Diluted net income per share
	(¥)	(¥)
Nine months ended December 31, 2015	73.86	65.38
December 31, 2014	50.95	45.10

(2) Consolidated Financial Positions

	Total assets	Net assets	Capital adequacy ratio
	(¥ million)	(¥ million)	%
As of December 31, 2015	236,657	120,961	50.8
March 31, 2015	245,456	117,836	47.7

Note: Owner's equity as of December 31, 2015: ¥120,294 million

March 31, 2015: ¥117,192 million

2. Dividends

	Annual dividends				
	First quarter	Second quarter	Third quarter	Fiscal year end	Total
	(¥)	(¥)	(¥)	(¥)	(¥)
Fiscal year ended March 31, 2015	-	6.00	-	8.00	14.00
Fiscal year ending March 31, 2016	-	8.00	-		
Fiscal year ending March 31, 2016 (Forecast)				8.00	16.00

Note: Revisions of the forecast most recently announced : No

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2016

(From April 1, 2015 to March 31, 2016)

(% indicate changes from the same period of the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Net income per share
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥)
Full year	161,000	7.7	13,000	8.1	13,600	2.6	11,000	(3.9)	98.89

Note: Revisions of the forecast most recently announced : No

*Others

(1) Material changes in subsidiaries during this period (Changes in specified subsidiaries resulting in the changes in scope of consolidation): No

[New: - Excluded: -]

(2) Applying of specific accounting of the consolidated quarterly financial statements: Yes

(3) Changes in accounting policies, accounting estimates and retrospective restatement

1) Changes in accounting policies based on revisions of accounting standard: Yes

2) Changes in accounting policies other than ones based on revisions of accounting standard: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(4) Number of issued and outstanding shares (common stock)

1) Number of issued and outstanding shares at the end of the period (including treasury stock)

As of December 31, 2015	119,944,543 shares
As of March 31, 2015	119,944,543 shares

2) Number of treasury stock at the end of the period

As of December 31, 2015	8,692,408 shares
As of March 31, 2015	8,712,596 shares

3) Average number of shares

Nine months ended December 31, 2015	111,246,992 shares
Nine months ended December 31, 2014	111,238,201 shares

* Indication regarding execution of quarterly review procedures

This quarterly financial results report is not subject to the quarterly review procedures in accordance with the Financial Instruments and Exchange Law. At the time of disclosure of this quarterly financial results report, the quarterly review procedures to the quarterly consolidated financial statements are in progress.

* Proper use of the forecast of financial results, and other special matters

The forward-looking statements are based on currently available information and assumptions, contain risks and uncertainty, and do not constitute guarantees of future achievement. Please note that the future results may greatly vary by the changes of various factors.

4.QUALITATIVE INFORMATION

(1) Qualitative Information Relating to Consolidated Quarterly Operating Results

During the nine-month period under review, the Company posted net sales of ¥113,419 million (up 14.1% year on year), operating income of ¥8,961 million, and net income attributable to owners of the parent of ¥8,216 million.

Orders received on a consolidated basis for the nine-month period under review amounted to ¥124,279 million (up 5.4% year on year) due to the concentration of large-scale project agreements in the North American market for the third quarter.

The order backlog stood at ¥61,038 million (up 1.6% year on year), and net sales have been progressing as planned at the beginning of the fiscal year under review.

The details of orders by geographic region for the nine-month period under review are as follows:

Makino Milling Machine Co., Ltd. and its Consolidated Subsidiaries in Japan

Although there are changes due to various contributing factors, the domestic demand is slightly expanding.

Given our customers' equipment utilization rates, we believe that replacement investment for productivity improvement will continue.

MAKINO ASIA PTE LTD

The demand for machine tools in China, a major Asian market, has been sluggish.

In this situation, the volume of orders received by the Company remained firm. Capital investments arising from new development and performance improvement are expected to continue in the future. The Company flexibly deals with all variations in demand in order to stabilize the orders received.

MAKINO INC.

Orders received significantly grew in the third quarter due to the conclusion of project agreements that had been under negotiation with the auto and aircraft manufacturers.

As there are no changes in the amount of order inquiries, future orders received are expected to return to a moderate recovery pace assumed at the beginning of the fiscal year under review.

MAKINO Europe GmbH

Orders received increased in the third quarter as the Company reached agreements on projects that had been stalled.

The Company will work to secure orders by strengthening the local sales base.

(2) Qualitative Information on Consolidated Financial Position

Total assets on a consolidated basis at the end of the third quarter under review decreased by ¥8,799 million from the end of fiscal 2015 to ¥236,657 million. Major changes included a decrease of ¥13,135 million in notes and accounts receivable, a decrease of ¥3,796 million in investment securities, and an increase of ¥1,425 million in inventories.

Total liabilities decreased by ¥11,924 million from the end of fiscal 2015 to ¥115,696 million primarily due to decreases of ¥4,695 million in notes and accounts payable and ¥1,199 million in deferred income taxes.

Net assets increased by ¥3,124 million from the end of fiscal 2015 to ¥120,961 million, mainly due to an increase of ¥6,436 million in retained earnings, a decrease of ¥2,556 million in unrealized gains on available-for-sale securities, and a decrease of ¥1,015 million in foreign currency translation adjustments.

(3) Qualitative Information on Consolidated Results Forecasts

The Company has not revised the consolidated results forecasts for the full year announced previously (on April 30, 2015).

5. Consolidated Financial Statements (Unaudited)

(1) Consolidated Balance Sheets (As of March 31, 2015 and December 31, 2015)

	(in million yen)	
	As of March 31, 2015	As of December 31, 2015
Assets		
Current assets		
Cash and deposits	43,008	49,414
Notes and accounts receivable-trade	45,803	32,668
Securities	1,005	1,002
Merchandise and finished goods	20,239	20,627
Work in process	12,118	12,542
Raw materials and supplies	24,695	25,308
Deferred tax assets	3,445	3,271
Other	5,214	4,586
Allowance for doubtful accounts	(1,030)	(808)
Total current assets	154,500	148,613
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	28,565	29,493
Machinery, equipment and vehicles, net	7,231	7,162
Tools, furniture and fixtures, net	3,304	3,429
Land	16,767	17,659
Lease assets, net	1,193	1,124
Construction in progress	1,851	1,251
Total property, plant and equipment	58,914	60,120
Intangible assets		
Other	1,800	1,864
Total intangible assets	1,800	1,864
Investments and other assets		
Investment securities	24,669	20,872
Long-term loans receivable	526	466
Deferred tax assets	1,987	1,922
Net defined benefit asset	464	356
Other	3,013	2,819
Allowance for doubtful accounts	(420)	(377)
Total investments and other assets	30,240	26,059
Total noncurrent assets	90,956	88,043
Total assets	245,456	236,657

(Continued)

	(in million yen)	
	As of March 31,2015	As of December 31,2015
Liabilities		
Current liabilities		
Notes and accounts payable-trade	27,372	22,676
Short-term loans payable	8,071	7,489
Current portion of bonds	-	10,000
Current portion of long-term loans payable	3,908	1,405
Lease obligations	283	265
Income taxes payable	1,706	1,418
Other	22,634	18,318
Total current liabilities	63,976	61,573
Noncurrent liabilities		
Bonds payable	10,000	-
Convertible bond-type bonds with subscription rights to shares	12,000	11,980
Long-term loans payable	28,219	30,068
Lease obligations	1,197	1,116
Deferred tax liabilities	6,689	5,489
Provision for directors' retirement benefits	52	59
Net defined benefit liability	3,367	3,202
Other	2,117	2,205
Total noncurrent liabilities	63,643	54,122
Total liabilities	127,620	115,696
Net assets		
Shareholders' equity		
Capital stock	19,263	19,263
Capital surplus	32,595	32,602
Retained earnings	54,866	61,302
Treasury stock	(4,794)	(4,784)
Total shareholders' equity	101,930	108,383
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	13,811	11,254
Deferred gains or losses on hedges	(4)	(0)
Foreign currency translation adjustment	4,269	3,253
Remeasurements of defined benefit plans	(2,814)	(2,595)
Total accumulated other comprehensive income	15,261	11,911
Nom controlling interests	644	666
Total net assets	117,836	120,961
Total liabilities and net assets	245,456	236,657

(2) Consolidated Income Statements and Comprehensive Income Statement

(in million yen)

	Nine months ended December 31, 2014	Nine months ended December 31, 2015
Net sales	99,364	113,419
Cost of sales	69,219	79,328
Gross profit	30,145	34,090
Selling, general and administrative expenses	24,515	25,128
Operating income	5,629	8,961
Non-operating income		
Interest and dividends income	340	682
Subsidy income	-	762
Foreign exchange gains	1,140	-
Other	466	553
Total non-operating income	1,948	1,997
Non-operating expenses		
Interest expenses	462	360
Foreign exchange loss	-	209
Other	103	121
Total non-operating expenses	566	691
Ordinary income	7,010	10,268
Extraordinary income		
Gain on sales of noncurrent assets	79	49
Gain on sales of investment securities	-	33
Total extraordinary income	79	83
Extraordinary loss		
Loss on retirement of noncurrent assets	10	66
Total extraordinary losses	10	66
Income before income taxes and minority interests	7,079	10,285
Income taxes	1,374	2,045
Net income	5,704	8,240
Net income attributable to non controlling interests	36	24
Net income attributable to owners of the parent	5,668	8,216

(Continued)

	(in million yen)	
	Nine months ended December 31, 2014	Nine months ended December 31, 2015
Net income	5,704	8,240
Other comprehensive income		
Valuation difference on available-for-sale securities	1,349	(2,557)
Deferred gains or losses on hedges	6	4
Foreign currency translation adjustment	5,517	(1,015)
Remeasurements of defined benefit plans, net of tax	(138)	219
Total other comprehensive income	6,735	(3,350)
Comprehensive income	12,440	4,890
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	12,395	4,866
Comprehensive income attributable to non controlling interests	44	23

6. Segment Information

(1) Reportable segment information

The Group's reportable segments are defined as individual units where independent financial information is available and which are subject to regular review by the board of directors to evaluate their results and decide the allocation of management resources. The reportable segments are summarized as follows:

Reportable segment I is a segment for which Makino Milling Machine Co., Ltd. is responsible. Its main areas are Japan, the Republic of Korea, China, Oceania, Russia, Norway, the United Kingdom, and all other areas not included in reportable segments II, III or IV.

Reportable segment II is a segment for which MAKINO ASIA PTE LTD (Singapore) is responsible. Its main areas are China, ASEAN and India.

Reportable segment III is a segment for which MAKINO INC. (Mason, Ohio, the United States of America) is responsible. It covers all countries in North and South America.

Reportable segment IV is a segment for which MAKINO Europe GmbH (Hamburg, Germany) is responsible. It covers all countries in the European continent except Norway.

Income for each reportable segment denotes operating income, and intersegments are based on market prices in general.

Nine months ended December 31, 2014

(Millions of yen)

	I	II	III	IV	Total
Net sales:					
External customers	¥32,229	¥23,422	¥34,270	¥9,441	¥99,364
Intersegment	36,114	7,551	339	135	44,141
Total	68,343	30,974	34,610	9,577	143,505
Segment income (loss)	¥4,290	¥1,800	¥1,191	(¥50)	¥7,231

Nine months ended December 31, 2015

(Millions of yen)

	I	II	III	IV	Total
Net sales:					
External customers	¥40,822	¥31,284	¥31,441	¥9,871	¥113,419
Intersegment	34,855	6,644	385	78	41,964
Total	75,678	37,929	31,826	9,949	155,383
Segment income (loss)	¥6,035	¥2,271	¥995	(¥7)	¥9,295

	Nine months ended December 31,	
	Millions of yen	
	2014	2015
Segment income	¥7,231	¥9,295
Elimination	(1,602)	(333)
Consolidated operating income	¥5,629	¥8,961